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79TH annual report



THE EASTERN CANADA
SAVINGS AND LOAN COMPANY

1966

FOR THE DIRECTORS
TO THE SHAREHOLDERS
OF THE COMPANY

THE EASTERN CANADA SAVINGS AND LOAN COMPANY

79th
annual report

1966

HIGHLIGHTS

	1966	1965
Assets	\$114,446,000	\$105,505,000
Mortgages	105,461,000	97,227,000
Debentures and Deposits ..	105,563,000	97,365,000
Operating Profit	1,374,400	1,226,200
Income Taxes	383,000	355,000
Net Profit	991,400	871,200
Per Share	49.6	43.5
Dividends	500,000	460,000
Per Share	25.0	23.0



REPORT

OF THE DIRECTORS

for the year ended December 31st, 1966.

TO THE SHAREHOLDERS

Your Directors are pleased to submit the 79th Annual Report of the Company, including the financial statements and auditor's report for the year ended December 31, 1966.

In spite of difficult financial conditions all over the world, for your Company the year 1966 was one of development, growth and progress. The results for the year were generally in accordance with our expectations.

EARNINGS

Gross income amounted to \$7,903,000, an increase of \$958,000, or 13.8%, over 1965. Operating profit showed an improvement of \$148,000, or 12.1%, over the preceding year.

Net profit for the year amounted to \$991,000. This represented an increase of \$120,000, or 13.8%, over the previous year, and was satisfactorily in line with the increase in income.

On a share basis, net earnings amounted to 49.6¢ in 1966 as against 43.5¢ in 1965.

Although the year 1966 experienced the greatest stringency and the highest cost of money in the last half century, it is felt that the financial results of your Company have been satisfactory.

DIVIDENDS

Four quarterly dividends of 5¢ a share, plus an extra of 5¢ were paid during the year, or a total of 25¢ compared with 23¢ the previous year. This amounted to the sum of \$500,000, an increase of 8.7% over the preceding year's \$460,000. It was also the eighth consecutive yearly dividend increase, and represented the payment of 50.4% of net profit. Quarterly dividends have now been paid by your Company in unbroken succession for 70 years.

ASSETS

Assets increased by \$8,941,000 or 8.5% to \$114,446,000. It is noteworthy that since 1961

the assets of the Company have more than doubled.

MORTGAGES

It was not practicable in the last twelve months, in a period of very high interest rates, to expand our mortgage business on the scale of recent years; nevertheless, the mortgage portfolio rose a commendable \$8,234,000 or 8.5% to \$105,461,000, as compared to an increase of \$16,000,000 the previous year. However, in order to obtain this net gain of \$8,234,000 it was necessary to loan a gross sum of \$16,839,000 in 1966, as mortgages are constantly being reduced with each monthly payment.

INVESTMENTS

Our bond portfolio valued at \$5,625,000, as compared with \$5,676,000 at the end of 1965, was composed of the following: Government of Canadas, \$780,000; Provincial Governments, \$2,005,000; Municipal Governments, \$1,703,000; Industrials, \$1,137,000.

The Industrial Bonds are high grade issues of such companies as Imperial Oil, Canadian British Aluminum, Domtar, Bathurst Power and Paper, and several Public Utilities.

During the autumn when the market was low we increased our investments in common and preferred stocks to \$1,298,000. This was an increase of \$369,000 or 39.7% over the \$929,000 held at the end of 1965. The Company's portfolio of stocks consists of shares in Canadian Chartered Banks, Public Utilities, and some high grade Industrial Corporations, all of which qualify as investments approved under the Canadian and British Insurance Companies' Act.

The abnormally low level of the bond market at the end of the year resulted in the market value of our portfolio of bonds being shown at a figure less than their net book value. This difference, however, is almost completely offset by the surplus of market over book value of the stock portfolio. Furthermore, the amortized values of the bonds as determined by the

Department of Insurance at Ottawa is considerably in excess of their market values. On balance, therefore, it is considered that the investment portfolio is conservatively valued on the balance sheet.

DEPRECIATION

Depreciation amounted to \$74,000 as compared with \$40,000 in 1965. The increase of \$34,000 is largely due to the addition to our Head Office and Halifax Branch Building, its furnishings and equipment.

DEBENTURES AND DEPOSITS

Debentures increased by \$8,685,000 or 10.6% to \$90,727,000. We feel that this is a commendable achievement considering the period of high cost investment funds.

Deposits decreased \$487,000 to \$14,836,000. This was brought about partly by the competitive attraction of the very high bond yields which prevailed during the year. The balance of the decline was the result of the transfer of savings to our own debentures, and in this instance did not result in a loss of funds to the Company.

SAVINGS CERTIFICATES

A new savings plan was introduced during the year — The Eastern Canada Savings Certificate. Available in amounts ranging from \$5 to \$1,000, and offering attractive rates of interest, these five and ten year term certificates are designed to provide term investment for a wide range of investors at rates higher than those paid on savings accounts. Certificates are issued in such denominations as to encourage their purchase at regular weekly or monthly intervals. It is now apparent that this new type of security fills an important investment need, and further extends our range of service to the public.

HEAD OFFICE AND HALIFAX BRANCH BUILDING

The major addition to the Head Office and Halifax Branch Building was completed in June. The design is functional and harmonizes nicely

with that of the main building. We have had many compliments on its attractive exterior appearance and interior furnishings and decoration. The departments that were in need of additional space have been moved to the new addition, and this has improved their performance and efficiency. The unused space ultimately available for future expansion has all been rented on satisfactory terms.

During the year, expenses rose due to the Head Office building expansion as well as the non-recurring cost of transferring mortgage accounting to electronic data processing. The latter has necessitated the maintenance of increased staff until the conversion is completed late in 1967. It will, therefore, be some time before the full economies of the computer operation are achieved, but as we work with these new machines and techniques, we are constantly finding new advantages to assist us in our work, and we are working towards substantial savings.

BRANCHES

During the year, a new branch was opened at 270 Dutch Village Road, Fairview, Nova Scotia, to serve our customers in western Halifax and the adjacent areas of the County. This branch office has made good progress and is making a valuable contribution to the overall operation of the Company. We now have eight branches throughout the Atlantic Provinces.

The branch expansion program during the past few years has considerably increased the responsibilities of the staff and management, and it is a pleasure to note that they have accepted and responded to the challenge in an enthusiastic manner.

STAFF

The satisfactory results obtained in 1966 have been achieved in a large measure through the concentrated efforts of our staff, and to them go our most sincere thanks for their excellent work during the year.

A special acknowledgement of merit is extended to Mr. Frank A. Milne, your General Manager, for his skill, determination and good judgment in directing our business, which has shown by far its greatest period of growth during his twelve years of management. Mr. Milne has just completed 40 years of service with your Company.

Singled out also for particular commendation are the staff in the branches. It is they who have direct contact with the public, and their friendly manner, efficiency and enthusiasm maintain our most valuable asset — good relations with our customers. We wish to thank the mortgage customers whom we were not able to look after during the year for their forbearance and understanding, and to assure them that we hope to be back looking after their needs as soon as a change in the situation permits, and we appreciate their continued loyalty.

Our employees are encouraged to take advantage of the many educational opportunities available to them for advancement. Through these they are developing skills which assist them to become more effective in their work and valuable to the Company.

BOARD OF DIRECTORS

Your Directors form a small, hard-working Board. They meet 50 times a year. Under these circumstances a close interest is displayed by the Directors in the Company's affairs, and prompt and informed guidance is given the staff in all important matters of company policy and management.

AUDIT

In addition to the yearly audit by Peat, Marwick, Mitchell & Co., Chartered Accountants, a thorough inspection of your company's affairs is conducted annually by the Dominion Superintendent of Insurance, Ottawa. The 1966 examination has been completed, and a favorable report on all aspects of our business operation has been received from the Department.

OUTLOOK

1966 produced various developments in the Canadian financial community which were unexpected and trying for all businesses, particularly those of a financial nature. However, the sound position built up by the company over the years has not been adversely affected, and it has shown continued development.

A slowing in the pace of expansion in the third quarter of the year was noticeable, and this trend continued in the final quarter. It is now clear that the economy is no longer stretched to the limits of its capacity as it was for most of 1966. The bond market has shown some regained strength and yields declined slightly late in the year; but the cost of money still remained considerably higher than at the beginning of 1966.

The consensus of economic thinking appears to be that 1967 will be less expansive than 1966, particularly in the first half, and that money will remain tight and rates high, but probably slightly lower than in 1966.

If the Bank Act amendments permit the Banks to enter the conventional mortgage field we trust that, as compensation, the Trust & Mortgage Companies will be given additional powers to loan money on other than mortgage security.

Furthermore, as house building has been more adversely affected than any industry in 1966, the federal government has made it a matter of top policy to provide the appropriate climate and to stimulate this industry next year.

Under these circumstances 1967 should hold reasonable prospects for continued growth and expansion of your company during its 80th year of operation.

On behalf of the Board,

Harold P. Connor

HAROLD P. CONNOR,
President



AUDITORS' REPORT

TO THE
SHAREHOLDERS

We have examined the balance sheet of The Eastern Canada Savings and Loan Company as of December 31, 1966 and the statement of profit and loss and undivided profits for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statement of profit and loss and undivided profits are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

Halifax, N.S.
January 17, 1967

**THE
EASTERN CANADA
SAVINGS AND LOAN
COMPANY**

**STATEMENT OF PROFIT
AND LOSS
AND UNDIVIDED PROFITS**

Year ended December 31, 1966
(with comparative figures for 1965)

	1966	1965
Income	<u>\$7,902,561</u>	<u>\$6,945,050</u>
Cost of borrowed money	<u>5,607,263</u>	<u>4,804,511</u>
Administration expenses	<u>847,306</u>	<u>824,558</u>
Provision for diminution in value of investments	—	50,000
Depreciation	<u>73,543</u>	<u>39,780</u>
	<hr/> <u>6,528,112</u>	<hr/> <u>5,718,849</u>
Operating profit	<u>1,374,449</u>	<u>1,226,201</u>
Income taxes	<u>383,000</u>	<u>355,000</u>
Net profit	<u>991,449</u>	<u>871,201</u>
Dividends	<u>500,000</u>	<u>460,000</u>
Amount carried forward	<u>491,449</u>	<u>411,201</u>
Balance of undivided profits at the beginning of the year	<u>525,740</u>	<u>307,539</u>
Transferred from Reserve for Mortgages	<u>—</u>	<u>1,107,000</u>
	<u>1,017,189</u>	<u>1,825,740</u>
Transferred to:		
General Reserve	<u>—</u>	<u>1,300,000</u>
Balance of undivided profits at the end of the year	<u><u>\$1,017,189</u></u>	<u><u>\$ 525,740</u></u>

ASSETS

	1966	1965
Cash on hand and in banks	\$ 1,006,369	\$ 623,278
Deposit receipts and short term investments	—	300,000
Bonds at cost and accrued interest	5,625,214	5,676,044
Allowance for diminution in value	300,000	300,000
Net bonds	5,325,214	5,376,044
Quoted market value December 31, 1966 — \$4,997,400 1965 — \$5,407,400		
Stocks at cost	1,297,935	929,200
Quoted market value December 31, 1966 — \$1,526,800 1965 — \$1,257,700		
Mortgages, agreements and accrued interest	105,461,203	97,227,077
Office premises at cost	1,493,541	1,226,479
Accumulated depreciation	305,541	262,479
Net office premises	1,188,000	964,000
Equipment and furnishings, at cost	151,331	41,677
Accumulated depreciation	38,476	8,355
Net equipment and furnishings	112,855	33,322
Leasehold improvements, at cost	46,423	46,173
Amounts written off	29,960	24,473
Net leasehold improvements	16,463	21,700
Other assets	37,551	29,927
	\$114,445,590	\$105,504,548

In accordance with the provisions of Section 85G of the Income Tax Act (Canada) in calculating taxes on the income for the year, the company has claimed a deduction of \$527,200, thereby reducing taxes otherwise payable by \$263,600. At December 31, 1966 the company has claimed, under this Section of the Act, a total of \$2,120,200 thereby reducing taxes otherwise payable by \$1,060,100.

SAVINGS AND LOAN COMPANY

DECEMBER 31, 1966

(figures for 1965)

LIABILITIES

	1966	1965
Dividends payable	\$ 200,000	\$ 160,000
Income taxes payable	125,922	14,520
Mortgagors' deposits for taxes	991,419	886,951
Deposits	14,836,276	15,322,870
Debentures and accrued interest	90,726,663	82,042,359
Other liabilities	48,121	52,108
	<u>106,928,401</u>	<u>98,478,808</u>

SHAREHOLDERS' EQUITY:

Capital stock:

Authorized — 3,000,000 shares par value \$1 per share		
Issued and fully paid — 2,000,000 shares	2,000,000	2,000,000
Reserve fund	4,500,000	4,500,000
Undivided profits	1,017,189	525,740
Total shareholders' equity	<u>7,517,189</u>	<u>7,025,740</u>

\$114,445,590

\$105,504,548

Approved on behalf of the Board:

Harold P. Connor

Harold P. Connor
President

J. C. MacKeen

J. C. MacKeen
Vice-President

F. A. Milne

F. A. Milne
General Manager

THE EASTERN CANADA SAVINGS AND LOAN COMPANY

Progress is called "Tomorrow"...

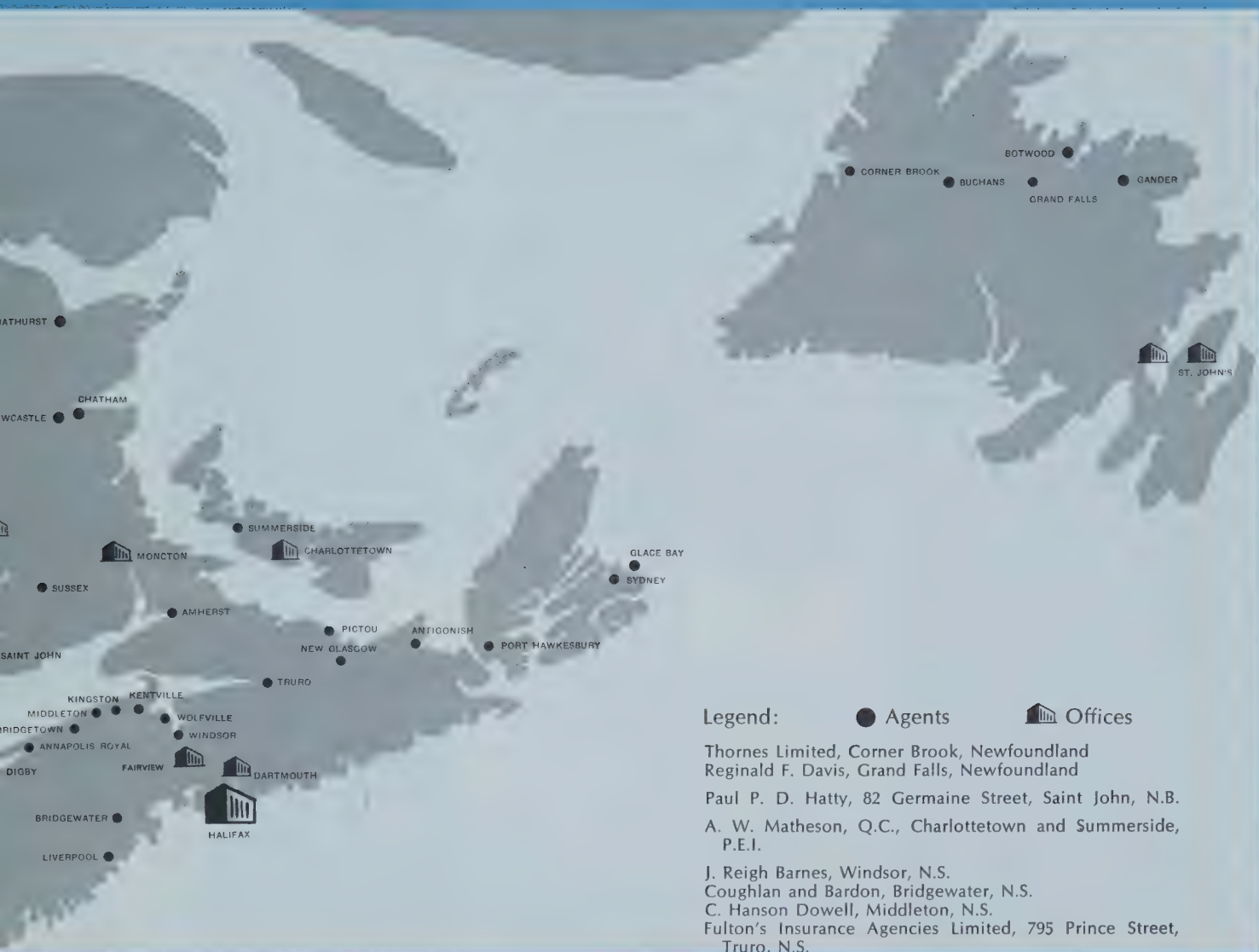
...and progress is man's distinctive mark alone. So The Eastern Canada Savings and Loan Company keeps constant vigil on "tomorrow", to anticipate and fulfil the changing needs and wants of a strong and growing young nation. The Eastern Canada Savings and Loan Company has participated, with pride, in the vital up-swing in the economic development of the Atlantic region. Your Company has kept pace with this development, and new branches have been opened to serve the public, and new services have been instigated for the convenience of those we serve. Your Company will continue to look to tomorrow, because change is not an accident, it is a necessity.



Charlottetown Branch
85 Queen Street, P.E.I.



Interior of
Charlottetown Branch



Legend:

● Agents

🏢 Offices

Thornes Limited, Corner Brook, Newfoundland
Reginald F. Davis, Grand Falls, Newfoundland

Paul P. D. Hatty, 82 Germaine Street, Saint John, N.B.

A. W. Matheson, Q.C., Charlottetown and Summerside, P.E.I.

J. Reigh Barnes, Windsor, N.S.

Coughlan and Bardon, Bridgewater, N.S.

C. Hanson Dowell, Middleton, N.S.

Fulton's Insurance Agencies Limited, 795 Prince Street, Truro, N.S.

Burchell, MacDougall and Gruchy, Truro, N.S.

Jones, Milford and Freeman, Liverpool, N.S.

R. A. Laurence, Q.C., Annapolis Royal, N.S.

E. Clair Hicks, Q.C., and John J. LeMoine, Q.C., Amherst, N.S.

A. G. Macdonald, Q.C., Windsor, N.S.

MacIntosh, MacDonnell & MacDonald, New Glasgow, N.S.

A. D. McInnis, Q.C., Antigonish, N.S.

MacPherson and MacPherson, Antigonish, N.S.

Burchell, Sullivan, Smith and Campbell, Sydney, N.S.

J. D. Orlando, Q.C., Bridgetown, N.S.

Irving C. Pink, Q.C., Yarmouth, N.S.

T. C. Sedgwick, Q.C., Pictou, N.S.

Taylor, MacLellan and Cochrane, Kentville, N.S.

Graham Saunders, Digby, N.S.

Curtis Chipman, Wolfville, N.S.

G. A. Tidman, Kingston, N.S.

Mrs. Harold MacRae, Commercial Agencies Limited, Glace Bay, N.S.

OFFICES:

140 Portland Street, Dartmouth, N.S.

170 Water Street, St. John's, Newfoundland

1199 Main Street, Moncton, N.B.

85 Queen Street, Charlottetown, P.E.I.

Churchill Park Square, St. John's, Newfoundland

212 Queen Street, Fredericton, N.B.

270 Dutch Village Road, Fairview, N.S.

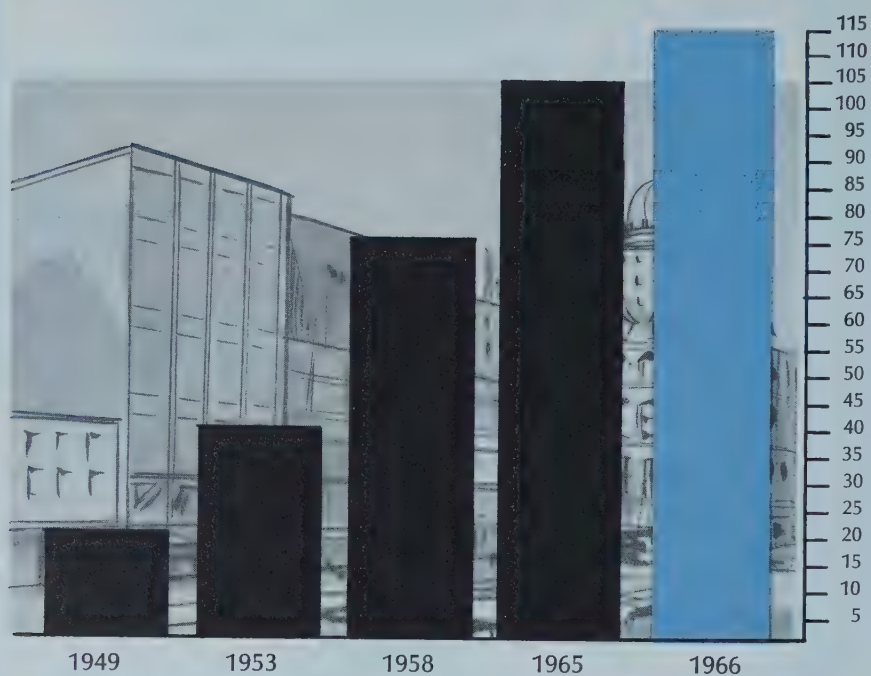
1819 Granville Street, Halifax, N.S.

HEAD OFFICE: 1819 Granville Street, Halifax, N.S.

THE GROWTH OF YOUR COMPANY FROM 1949-1966

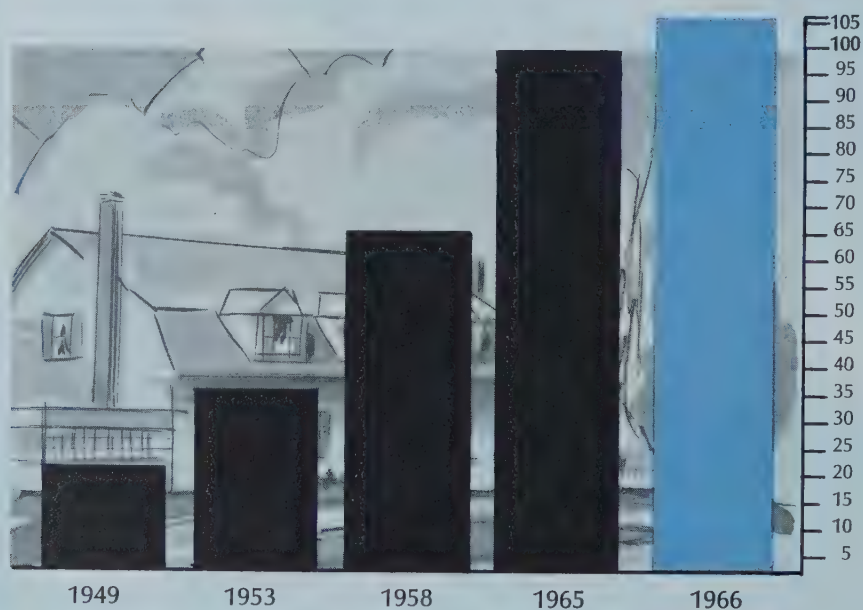
17 YEAR RECORD FOR ASSETS

Millions of dollars



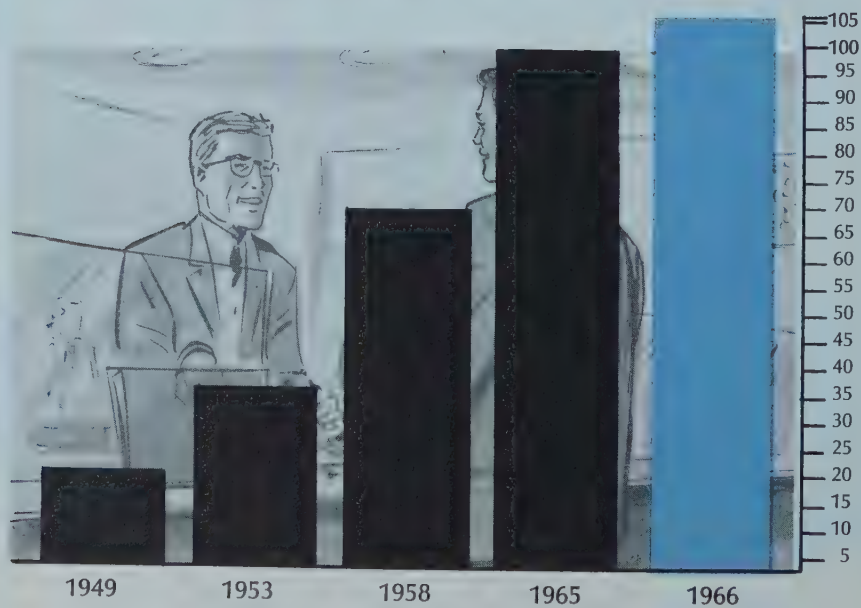
17 YEAR RECORD FOR MORTGAGES

Millions of dollars



17 YEAR RECORD FOR DEBENTURES AND DEPOSITS

Millions of dollars



COMPANY'S RECORD OF PROGRESS

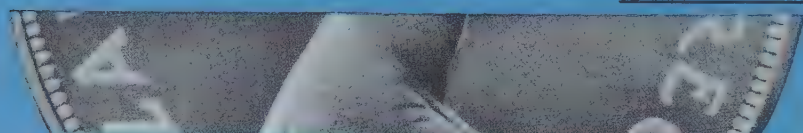
FISCAL YEAR	ASSETS	MORTGAGES	DEBENTURES AND DEPOSITS	CAPITAL RESERVES AND SURPLUS	NET PROFIT	EARNINGS PER SHARE	PAID PER SHARE
1898	529,488	391,866	300,474	128,515	11,271	11.2	6.0
1908	1,015,295	719,952	425,295	340,000	22,500	9.0	7.0
1918	2,104,345	1,624,380	1,130,331	599,000	43,952	11.7	8.0
1928	3,337,265	3,171,399	2,196,120	1,134,541	87,296	11.6	8.0
1938	4,574,107	4,078,663	3,406,142	1,160,524	65,225	8.7	7.0
1948	12,158,192	11,519,401	10,246,570	1,812,325	138,610	13.8	7.0
1958	38,228,149	33,024,167	34,432,275	3,603,226	391,332	26.1	11.0
1959	43,249,369	36,400,466	39,150,196	3,823,532	390,887	26.1	11.0
1960	46,036,216	41,065,511	41,531,901	4,062,048	426,015	28.4	12.5
1961	55,076,924	48,507,682	50,132,740	4,321,010	461,463	30.7	13.5
1962	66,993,629	58,406,688	60,878,275	5,341,631	544,370	31.1	16.5
1963	75,065,473	68,011,868	68,333,434	5,752,894	593,143	33.9	18.5
1964	90,353,369	81,186,390	82,614,078	6,614,539	703,514	35.1	22.5
1965	105,504,548	97,227,079	97,365,229	7,025,740	871,201	43.5	23.0
1966	114,445,600	105,461,200	105,562,900	7,517,200	991,400	49.6	25.0

DISTRIBUTION OF THE INCOME DOLLAR



COST OF MONEY

\$0.71



ALL OTHER EXPENSES

0.12



INCOME TAX

0.05



DIVIDENDS

0.06



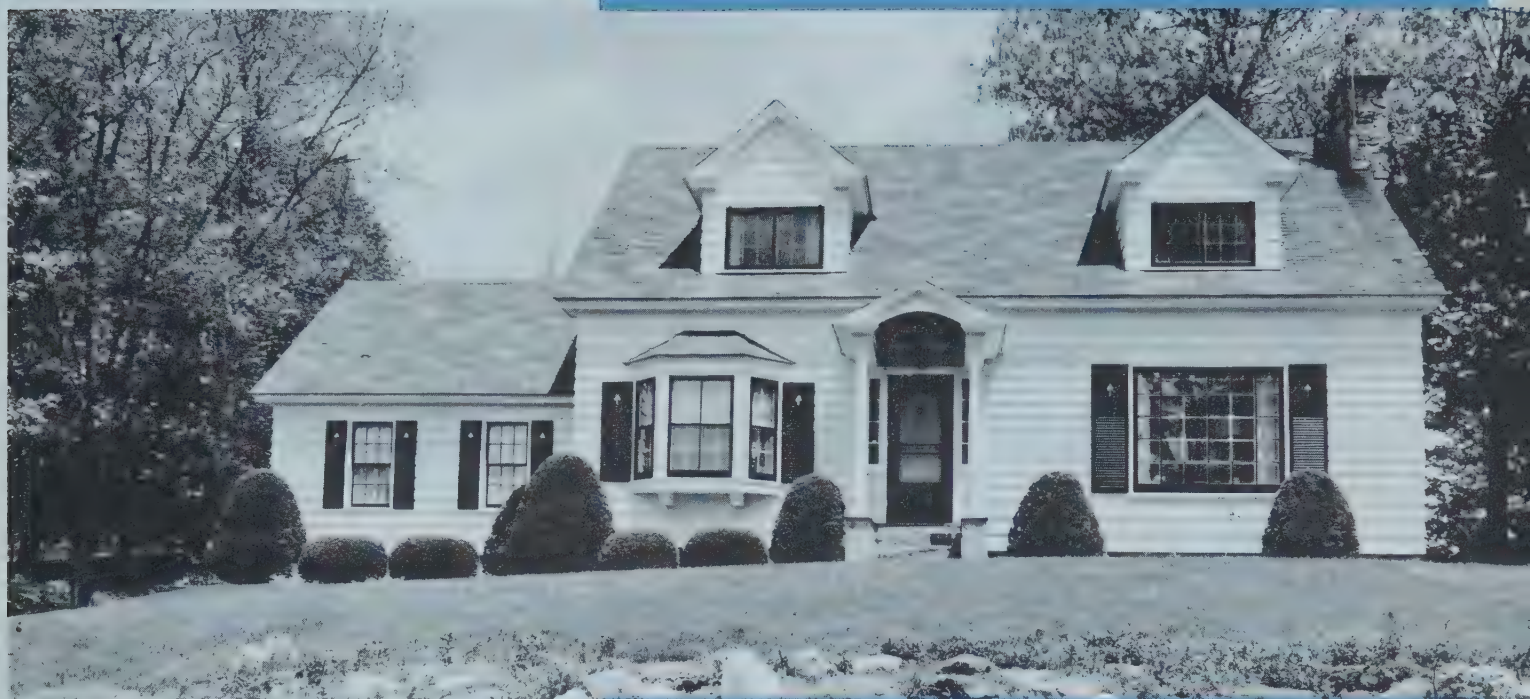
RETAINED

0.06

TOTAL

1.00

WHAT YOU CAN DO TO PUBLICIZE YOUR COMPANY'S MORTGAGE SERVICE!



...Tell A Friend

A home, being the "heart" of our social structure, has always been of prime importance to the people of the Atlantic area. For 79 years, the Eastern Canada Savings and Loan Company has played a steadily-increasing part in assisting clients with the purchase, building, renovation or maintenance of their homes. An Eastern Canada Savings and Loan Company Mortgage Loan has earned general public confidence, and is a much sought-after aid in acquiring or improving homes throughout the four Atlantic provinces.

Shareholders in The Eastern Canada Savings and Loan Company can tell their friends, with justifiable pride, of the excellence of the Company's Mortgage system.



HOW DOES YOUR COMPANY OBTAIN ITS MORTGAGE FUNDS?

By Savings Deposits and the sale of Debentures

ACCUMULATIVE DEBENTURE

Accumulative Debentures are registered as to principal, or in bearer form. Interest is compounded semi-annually and is payable on maturity by single coupon.

REGISTERED DEBENTURE

Registered Debentures are fully registered, transferable only on the books of the Company, and interest is payable by cheque semi-annually.

DEBENTURES

Debentures are coupon bearing certificates which are issued either in bearer form or registered as to principal. Interest is payable semi-annually, the first coupon due six months after date of issue.

Accumulative Debentures, Registered Debentures and Debentures are a trustee investment in the Provinces of Nova Scotia, Newfoundland, Prince Edward Island, New Brunswick, Ontario and Alberta.

CASHING COUPONS AND INTEREST CHEQUES

All coupons and interest cheques may be cashed at par at any Bank in Nova Scotia or at any Branch of the Bank of Nova Scotia or Royal Bank of Canada in Canada.

DEBENTURES AT MATURITY

At maturity the Debentures may be re-invested with the Company at the current rate of interest then prevailing, or at the holder's option they may be cashed at par at the Company's Office or at any Bank in Nova Scotia or any Branch of the Bank of Nova Scotia or Royal Bank of Canada in Canada.

SAVINGS CERTIFICATES

Sold in amounts of \$5, \$10, \$25, \$50, \$100, \$500 and \$1000 for 5 and 10 years.

You can recommend Debentures of your Company as a safe, profitable and popular trustee investment.

SAVINGS, RATES and SERVICES

OFFERED BY YOUR COMPANY

On savings deposits with the interest calculated on the minimum monthly balance and credited to your account on June 30th, and December 31st. Over-the-counter withdrawals.

4 $\frac{1}{2}$ %

On savings deposits WITH FULL CHEQUING PRIVILEGES with the interest calculated on the minimum quarterly balance.

4%

LET YOUR SAVINGS EARN FOR YOU AND YOUR FRIENDS AT...

THE EASTERN CANADA SAVINGS AND LOAN COMPANY

Head Office:

1819 Granville Street, Halifax, N.S.

Branches:

1819 Granville Street, Halifax, N.S., 270 Dutch Village Road, Fairview, N.S., 140 Portland Street, Dartmouth, N.S., 85 Queen Street, Charlottetown, P.E.I., 170 Water Street, St. John's, Newfoundland, Churchill Park Square, St. John's, Newfoundland, 212 Queen Street, Fredericton, N.B., 1199 Main Street, Moncton, N.B.



Main floor of original building.



Executive suite in new building.

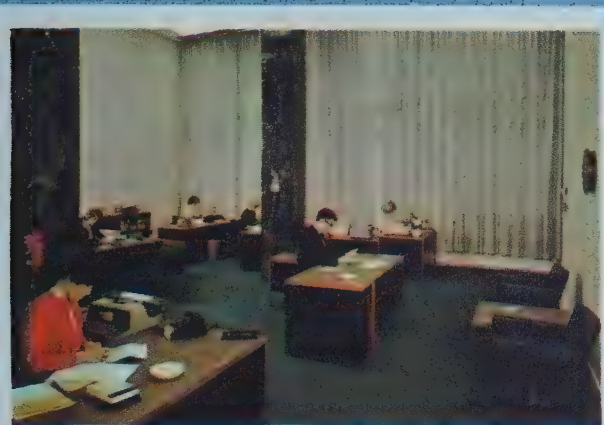


President Harold P. Connor at his desk.



General manager, F. A. Milne at his desk.

Views of the recently opened Fairview Branch.



General office in new building.

Scenes from the new Head Office Building, including a view of the Halifax Branch Office.



Executive secretary and accounting department.



Interior of Fairview Branch.



Exterior view of Fairview Branch.

BOARD OF DIRECTORS

Harold P. Connor
President

J. C. MacKeen
Vice-President

Hon. Donald M. Smith
Director

A. Gordon Cooper, Q.C.
Director

A. Gordon Archibald
Director

Gordon D. Stanfield
Director

H. Reuben Cohen
Director

Frank A. Milne
Director

OFFICERS

Harold P. Connor
President

J. C. MacKeen
Vice-President

Frank A. Milne
General Manager

H. M. McInnes
*Asst. Gen. Manager
(Development)*

Douglas H. Cochrane
*Asst. Gen. Manager
(Branches)*

Ronald E. Naugler
Chief Accountant

W. Philip Jones
Mortgage Manager

Donald C. Boutilier
Debenture Manager

BRANCH MANAGERS

A. W. Matheson, Q.C.
*Manager
Charlottetown, P.E.I.*

Edward Tomes
*Manager
Dartmouth, N.S.*

Grant A. Maxwell
*Manager
Fairview, N.S.*

Wayne V. Dauphinee
*Manager
Fredericton, N.B.*

Delbert M. Crocker
*Manager
Halifax Branch*

Hubert J. LeBlanc
*Manager
Moncton, N.B.*

Claude E. Dawe
*Manager
Newfoundland*

Robert S. Haines
*Manager
Churchill Park
St. John's, Newfoundland*

AUDITORS

Peat, Marwick, Mitchell & Co.
Chartered Accountants

